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DRUG STORE NEWS

Vol. 11/No. 21 **Our 61st year of serving chains, wholesalers and high-volume independents**

Nov. 6, 1989

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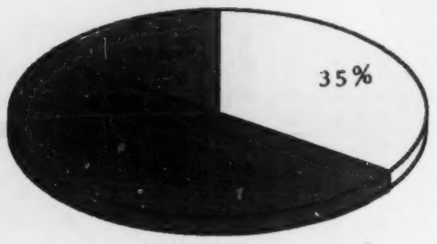
TOP OF WEEK FEATURES

Store managers have a limited amount of unplanogramed swing space



- Store managers who said they had 30% or more
- ...who said they had 29% or less
- ...who said they had no swing space

Source: *Drug Store News* survey

DrSN's 2nd annual store mgr. survey

We unearth differences in opinion held by managers and operations execs towards store managers' job responsibilities. **Page 10.**

Chains building P-L credibility

An examination of how drug chains package store brands and back quality guarantees in a burgeoning market. **Page 17.**

LATE NEWS

- TWINSBURG, Ohio — U.S. Bankruptcy Court has extended until Feb. 28 Revco D.S.'s deadline to file an exclusive plan of reorganization.
- INDIANAPOLIS — The Hook division of HSI has agreed to buy the 13-store Cavett Rexall chain, based in Chicago Heights, Ill.
- HUDSON, Fla. — American Stores was expected at press time to open its third Jewel Osco combo Nov. 1 here. It plans its fourth combo in January, in the Tampa Bay-area town of Palm Harbor.
- MONTREAL — Peoples Drug Stores' operating earnings were $1.8 million for the third quarter ended Sept. 30, on revenues of $245.4 million, compared with a $5.4 million loss a year ago.
- WASHINGTON — The FDA was expected at press time to extend approval of AZT for children with AIDS.

Presidents named at 3 top chains

At Peoples, David Eisenberg oversaw chain's turnaround plan

By Susan Ball

ALEXANDRIA, Va. — David H. Eisenberg, a 37-year veteran of Peoples Drug Stores, has been promoted to president and chief operations officer at the chain.

A native Washingtonian, Eisenberg has served as senior executive vp and chief operations officer since January 1987, during a period when Peoples, at a low ebb, posted a $23 million annual operating loss. Over the past 34 months, he has been a vital force in driving the chain's turnaround plan.

Eisenberg

He reports to David R. Bloom, chairman and ceo of Imasco Drug

See **Eisenberg,** *page 23*

Lyons picked as Gary Wilber is named chief executive at Drug Emporium

By David Vaczek

COLUMBUS, Ohio — The promotions of Gary Wilber and Robert Lyons at Drug Emporium position the chain for its planned new corporate store growth, and a closer focus on franchise operations.

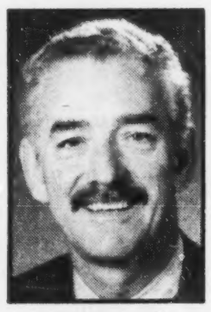
Wilber, who had been president and chief operations officer, was named chief executive officer succeeding his father, Philip Wilber. The elder Wilber retains the chairman's post.

Lyons, a seven-year Drug Emporium employee who is credited with turning around the shrink-plagued Philadephia operation, was named president and chief operations officer. He will move to

See **Lyons,** *page 23*

Lyons

Super D selects Jerry Treece, a Walgreen vet, to build its front-end business



Treece

By James Frederick

MEMPHIS — Walgreen Co. veteran Jerry Treece was named president of Super D Drugs, effective Oct. 25, marking the first time the 100-store drug chain ever went outside its own ranks for an officer. The move signals a desire at Super D to broaden management expertise and build business at the front end of the stores, which have traditionally played second fiddle to the pharmacy operation.

Treece, 49, is a pharmacist and 32-year Walgreens veteran who has served for the past seven years as Memphis district manager for the nation's top drug chain. In that time, Walgreens added 19 new

See **Treece,** *page 23*

K mart's smart new format strengthens Rx, H&BA role

OAK PARK, Mich. — Prescription drugs, H&BAs and other drug store merchandise get major play in K mart's new, upscaled store prototype, with a strong presentation at the front of the store adjacent to the checkstands.

K mart unveiled its much-heralded new store format in this suburban community north of Detroit in early August, eliciting praise from retail analysts, competitors and — most importantly — its customers. The new prototype is a dramatic step up in ambiance, merchandise presentation and decor for the discount store giant.

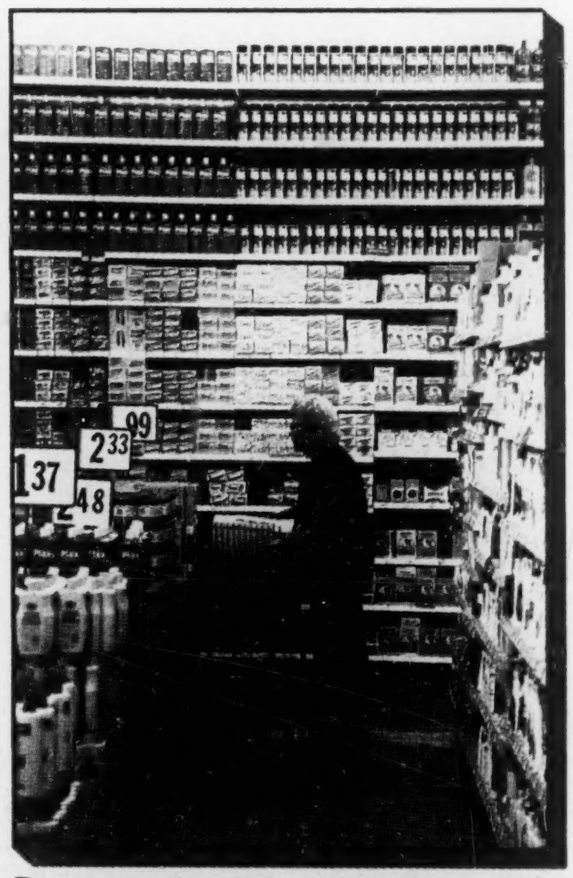
The store features wider aisles and shelving, more natural lighting, bold graphics and subtle lighting cues to highlight each department. Perhaps most importantly, merchandise in the new prototype has been completely repositioned and grouped into distinct departments throughout the store that each have their own lighting, decor and mood.

Far more impact is given to the pharmacy and drug store area, which commands a prominent position at the front of the store between the checkouts registers and the electronics department.

The pharmacy counter has been lowered to allow for easier customer interactions. The store averages 150 to 200 scripts on busier days.

"We got all the consumables across the front of the store, because this is what the customers were telling us they wanted," noted store co-manager

See **K mart,** *page 24*



Power merchandising of H&BAs includes prominent location and high stacking of product along perimeter walls.

Industry quick to respond to S.F. quake

By Pamela Meek with James Frederick

SAN FRANCISCO — When the ground and buildings stopped shaking Oct. 17, Pay Less pharmacists here took to the streets. Scarcely missing a beat, they set up practice on the sidewalks, taking prescription orders and filling them inside their quake-damaged stores while their patients waited outside.

At Pay Less and Longs, clerks and managers worked side by side through the night to clean up dozens of stores and get them back in business. The stores were in shambles, with broken glass and overturned displays filling the aisles.

In Stockton and Fresno, dozens of Longs employees volunteered in the cleanup effort, while at Bill's Drugs store in Gilroy, employees stayed on until midnight shopping for customers who waited outside for such essentials as candles and flashlights, batteries, bottled water and medicines — and beer.

This was the aftermath of the San Francisco Earthquake — California's worst since 1907. It brought out the best in people on the front lines of the chain drug store industry.

See **Quake,** *page 24*

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists. For information, dial (212) 371-9400, x 380.*

SECOND CLASS

NEWS IN BRIEF

NACDS changes show dates

ALEXANDRIA, Va. — Citing demand for exhibit space, NACDS has booked the Infomart center, across from Loew's Anatole in Dallas, to hold an estimated 450 booths at next summer's Marketplace conference. All sessions will be at the Anatole. The show dates were also changed to June 10-13.

NACDS also changed the dates of this winter's Distribution Conference, to Feb. 25-27 at Innisbrook Resort in Tarpon Springs, Fla.

In an unrelated matter, president Ron Ziegler has agreed to serve on an American Red Cross relief committee, which is committed to raise $42 million in corporate donations to help people recover from the effects of Hurricane Hugo.

High court to eye Lucky/Alpha Beta deal

SALT LAKE CITY — The U. S. Supreme Court has agreed to review the antitrust lawsuit brought against American Stores by the State of California, delaying once more the planned merger of its Lucky and Alpha Beta grocery chains.

John Van de Kamp, the state's attorney general, is looking to block the merger on antitrust grounds, contending that the combination of the two chains will lead to higher consumer prices. American Stores, however, has maintained the merger will allow for a consolidation of operations and therefore lead to lower prices.

In August, a U.S. Ninth Circuit Court ruled the merger could commence, and returned the decision on the suit to a lower court. Van de Kamp, however, appealed this move to the Supreme Court and Justice Sandra Day O'Connor agreed to continue the merger block until the full court had a chance in October to discuss possible review of the case.

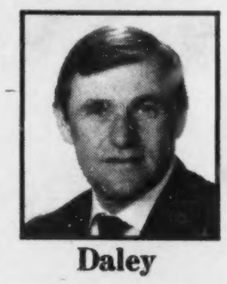
The Supreme Court's decision on the merger is not expected for several months. American Stores, which purchased Lucky for $2.5 billion in June 1988, has said the merger delay is costing the company about $1.5 million a week.

American Greetings buys hair care line

CLEVELAND — American Greetings announced its purchase of the Wilhold hair care line from First Philips Mfg. for an undisclosed sum. Wilhold makes hair accessories. The greeting card firm, in this diversification move, expects to transfer its marketing strengths at mass retail to Wilhold.

SDM tabs Daley sr. exec vp-operations

TORONTO — Dale Daley has been appointed senior executive vp-operational services of Shoppers Drug Mart, responsible for 630 pharmacies across Canada, said David Bloom, chairman and ceo.



Daley

Daley was appointed the Shoppers Drug Mart pharmacist-owner in Bathurst, New Brunswick, in 1974. In 1980, he became director of administrative services and was named executive vp for the Atlantic region, responsible for 108 pharmacies in the Maritimes, in 1982.

BTS show dates affirmed

NEW YORK — In response to erroneous reports in the industry, Thalheim Expositions announced there are no plans to change the dates or location of the 1990 National Back-To-School Merchandise Show.

The show is scheduled on Feb. 10, 11 and 12 at the Jacob Javits Convention Center here. For more information, contact Thalheim Expositions, 42 Bayview Ave., P.O. Box 4200, Manhasset, N.Y. 11030-4200; (516) 627-4000.

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Industry relieved over 'Catastrophic's' demise

WASHINGTON — While pulling the plug on the Medicare "Catastrophic" drug plan by Congress drew mixed reactions from pharmacy associations and prospective industry participants, overall they were relieved that the bill had not stood in its present form.

When the bill was originally enacted last year, retail pharmacy groups were among the most ardent supporters of the new Rx drug benefit. What they expected to see from the bill was an upsurge in demand for prescription drugs among the nation's 30 million elderly combined with a Medicare drug plan that appeared to offer a reasonable, if not generous, reimbursement formula for participating pharmacists. But after close scrutiny of those reimbursement formulas, many chains had second thoughts.

"We've concluded that we're much better off without catastrophic," said Alex Grass, chairman, Rite Aid. Unless the act had been amended, he continued, the reimbursement levels would have been "totally unsatisfactory." However, he added, "it would have increased the utilization of prescriptions at a faster rate than in the past."

'I think that as far as the industry goes, the catastrophic plan would have generated more business . . . however, I don't think that the gains would have been as large as some were expecting.'
—Jeff Atkinson

At the St. Louis-based Medicine Shoppe International, reaction to the bill's demise had much of the same overtones as Rite Aid's.

"I think that as far as the industry goes, the catastrohpic plan would have generated more business — I don't think anyone would argue with that," Jeff Atkinson, vp-marketing and strategic planning, said. "However, I don't think that the gains would have been as large as some were expecting. I do think that it probably will end up being a loss for the overall industry."

Not all industry observers were glad the bill did not become a reality. For Norman Reiter, president of Remo Drug Corporation, a drug wholesaler based in Brooklyn, N.Y., the bill's defeat was a defeat for Medicare patients who needed the extra coverage.

"I feel badly for the people on Medicare who really needed the catastrophic coverage," said Reiter. "Also, I thought we, as drug wholesalers, would have benefited from the

Continued on page 25

McK plans nationwide Valu-Rite TV ads

By Pamela Meek

SAN FRANCISCO — In support of 3,000-plus Valu-Rite customers, McKesson Drug Co. has launched a $2.5 million nationwide cable television advertising campaign.

The commercials are broadcast in conjunction with Valu-Rite's circular and radio ads on Cable News Network and Lifetime and will continue as an ongoing program. Claudia Sacino, vp-marketing, said two current 30-second TV ads provide both image and price/item promotion messages.

Valu-Rite's image ad features a pharmacist reminiscing about his career that has included both working at, and opening his own, Valu-Rite pharmacy. The overall message, however, is summed up at the end with a voice over: "Valu-Rite. It's as much your pharmacy as ours."

While this spot will run unchanged for some time, the price/item commercials will change nine times a year in conjunction with Valu-Rite's circular program. Sacino said the two commercials are paired to run within about an hour of each other, so viewers receive both messages.

The commercials reach 300 cities. In the first year, they'll run 900 times and deliver 840 million household impressions. Sacino said the target audience is women aged 25 to 54, so the commercials appear during programs like "Sonja Live" to reach daytime viewers, and during "Headline News" in order to reach working women when they are home.

The overall message is 'Valu-Rite. It's as much your pharmacy as ours.' The commercials reach 300 cities. The target audience is women aged 25 to 54.

McKesson expects to run some ads on superstation WTBS in the first quarter of 1990. Sacino said cable stations were chosen over network shows because the national reach is better and cable is more cost effective.

Sacino said the move to national advertising was a natural outgrowth of Valu-Rite's marketing plans, and "it's a natural way to complement our network radio." She said this is the first time Valu-Rite has used national TV ads, although some regional commercials have run in the past.

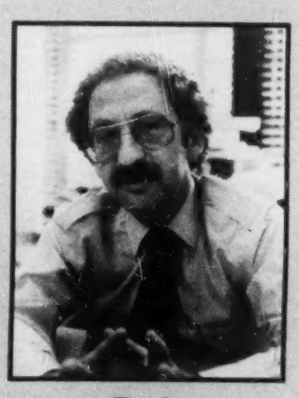
Funding for the spots is being shared by both McKesson and Valu-Rite members, according to Sacino. Two outside firms are currently producing the commercials.

Bergen campaign

McKesson's launch begins about the same time as Bergen Brunswig's national television campaign to support its 700-plus Good Neighbor Pharmacy stores. Bergen has also chosen CNN and other cable channels, with the cost being shared by both stores and the wholesaler.

The move toward national television ads in support of voluntaries is just one of many moves by the nation's two largest wholesalers to offer their customers value-added programs. As drug chains continue to snare a larger portion of the market, many wholesalers have grown more aggressive in offering independents complete operational and marketing support systems.

Former Peoples-vp Peck dead



Peck

WASHINGTON — Steve Peck, 46, a former vp and general merchandise manager and longtime employee of Peoples Drug Stores, died here Oct. 21.

A former associate, Sheldon "Bud" Fantle, chairman and ceo of Fantle's Drug Stores, said: "Steve Peck is a great loss to the industry, because he was one of the most creative merchants in our field. He had a true sense of creativity, demonstrated in his expertise in the private-label area, where he was singularly responsible not only for helping Peoples establish its private-label program, but for helping manufacturers in establishing criteria and benchmarks to create superior product."

Fantle continued, "There is no question that he was well ahead of his field and was one of the most astute individuals in the private-label area."

Dalton departs Reliable; chain alters assortments

INDIANAPOLIS — David L. Dalton has left his position as senior vp-pharmacy operations at Reliable Drugs, a new drug chain headed by Roger Grass, to start his own business.

Albert "Abby" Claudio, formerly Reliable's vp-pharmacy recruitment, replaces Dalton as senior vp-pharmacy operations. Larry Hruska succeeds Claudio as head of pharmacy recruitment. Both Claudio and Hruska are Rite Aid alumna, having been divisional managers (pharmacy) in West Virginia and Pittsburgh, respectively.

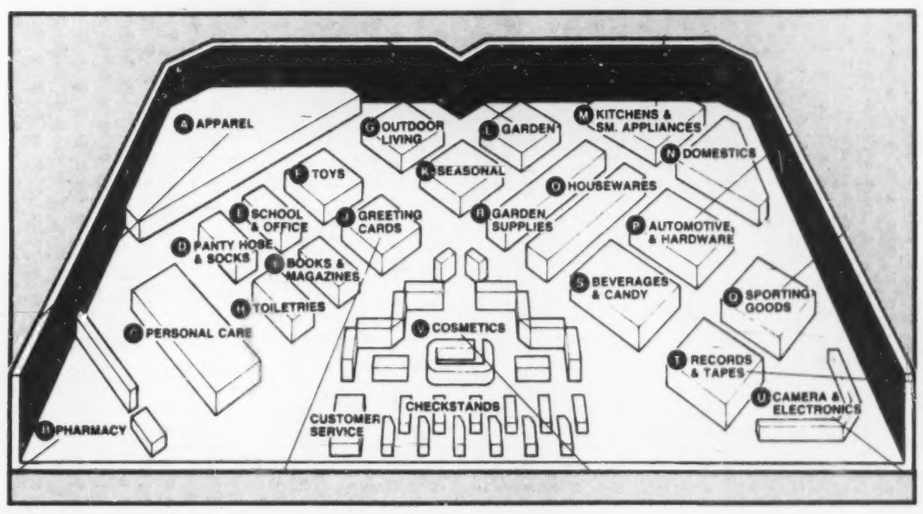
Grass said the stores, all located in the Midwest, with the majority in Indiana, are being changed over to their new Reliable Drugs identity and that store signage changes will be completed by January. Five units have been closed, and there are plans to close one more, for a net of 114 stores.

"We're in a transitional mode," he added, noting that the chain is in the process of liquidating excess inventory, particularly in non-drug store products and general merchandise. The multimillion-dollar markdown program began in September and will continue through the fall. The chain's pharmacies all now have a fully automated computer system, and Reliable will be accepting most insurance cards on new prescriptions and refills.

Reliable Drugs will offer everyday low pricing, with reduced prices on prescriptions, H&BA and liquor.

Referring to Dalton, Grass said: "We came to a mutual understanding that he wanted to move on, and we said fine." Grass, as part of an investment group, bought 120 drug stores from Peoples Drug Stores this summer and formed Price Right Discount Pharmacies, recently renamed Reliable Drugs.

"I left for reasons of personal growth and ambitions," explained Dalton, who was vp-professional relations at Rite Aid before joining Reliable's original management team. "I have an excellent relationship with both Reliable and Rite Aid." Dalton said at press time he was not free to discuss his new business project yet.



Floor plan of new Pay Less NW prototype.

Pay Less prototype is paying off

WILSONVILLE, Ore. — Pay Less NW is posting double-digit sales gains in stores it remodeled this year to match the company's prototype.

The 282-store chain has so far converted four locations to the new format, and opened 20 new stores in this same vision. The company first unveiled its upscale look at Cameron Park, Calif., in January.

Tim McAlear, chief operations officer, said sales improvements are attributable to the format's emphasis on pharmacy, OTC, cosmetics, toiletries, greeting cards, stationery and consumer electronics. Indeed, McAlear said it is these areas at the remodeled stores where volume is running well above the company average. "One of the objectives of the layout was to emphasize those core departments."

Few changes have been made since the initial store was opened, McAlear said. Some differences exist in its three sizes of 23,000, 27,000 and 31,000 square feet. Only the largest stores carry apparel; smaller stores, primarily in Southern California, carry a reduced selection of automotive, hardware and sporting goods. With these reductions, McAlear said, the smaller stores can still maintain the same square footage in the core departments.

Pay Less expects to open 13 more stores under the new format by the close of its fiscal year at the end of January. All remodels for the year have been completed. In 1990, McAlear said the chain is looking to open 41 new stores and plans to complete eight remodels.

Eckerd, Pay Less sign on w/AMEX

CLEARWATER, Fla. — Eckerd Drug Stores and Pay Less NW will both accept the American Express® card in all stores, starting this month.

Both chains already accepted VISA and MasterCard as alternative options to paying cash for merchandise; Pay Less also accepts Discover.

The service began Nov. 1 at all 1,605 Eckerd stores, said Michael Zagorac, vp-public affairs at the chain. At Pay Less NW, all 282 stores will honor the card by Thanksgiving, said Tim McAlear, chief operations officer at the chain.

"Our consumer research showed many people shopping in our stores wanted to use their American Express card as payment," Zagorac said.

Rite Aid Corp. sees investment opportunities

By Susan Ball

NEW YORK — Noting that Rite Aid has grown about 57 percent over the past two-and-a-half years, primarily through major acquisitions, chairman Alex Grass told a group of financial analysts here recently that there is less competition for acquisitions and store sites today than at any time in the company's history.

Moreover, "we believe other opportunities may be presented to us," Grass said. He cited restructurings and LBOs as main factors hampering some chains in Rite Aid's 22-state market from expanding as aggressively as they had previously, concentrating their energies instead on "managing their business or paying down debt."

"The price has been right," Grass said of the acquisitions that Rite Aid has been able to get at "net worth or a little bit more." As of Sept. 2, Rite Aid operated 2,293 drug stores.

Rite Aid pursued its most recent acquisition—

Continued on page 26

. . . as video rental business is curtailed

By Christine Bizzarro

SHIREMANSTOWN, Pa. — Rite Aid has reached the final reel of its effort to claim a major stake in the booming video rental business. After four years of investing heavily in videotape rentals, Rite Aid will remove the departments from most stores by Nov. 30.

Currently, 1,002 Rite Aids are renting an average 1,200 titles apiece. Chairman Alex Grass told analysts at a recent meeting in New York that 75 to 100 stores in rural and small communities will continue to rent videotapes.

Grass, referring to the chain's video business overall, said it "didn't just decline. It fell off the ledge."

Suzanne Mead, assistant vp-corporate communications for the over 2,000-store chain, told *Drug Store News*: "We anticipate a [$22 million] pre-tax write-off of our video rental departments in the third quarter, because our sales were slack in that area, attributable to other types of competition for video rentals."

Video specialty stores have consistently taken a larger share of the video rental customer from other types of outlets, including drug stores, convenience stores and grocery stores.

Investment firm First Manhattan Co. reported that Rite Aid's video business faltered for several reasons: Tape rentals failed to produce cross merchandising sales, same-store video rentals declined 10 to 20 percent since 1987, and weak sales along with high depreciation and handling costs resulted in negative earnings in the first quarter of 1989.

Rite Aid said no definite plans for the department will be disclosed until the end of the third quarter.

Next year fewer than 100 Rite Aids will rent videotapes, down from 1,002 currently.

Opportunities still seen

Despite the increasing number of video specialty stores opening around the country, taking larger chunks of the video rental business away from drug stores, some drug, combo and deep discount chains still see video rentals as an important part of their mix.

For example, Phar-Mor has had success with its video rental department, said Carol Robinson, director and vp-advertising. It charges a stunningly low 69 cents per rental per day in most markets, with a special "three videotape rentals for $1.50."

Robinson said Phar-Mor has added space to some of its video rental departments within the past eight months, installing an extension to video rentals and calling the department "Movies & Music." The department now sells CDs, audio and video cassettes in some locations.

Randall's Food Market has experienced intense competition from video specialty chains in recent months, said Bill Harris, vp-nonfoods of the 40-store, Houston-based combo chain. "Blockbusters are opening all around us, even in the same centers where our stores are," he said.

For instance, Randall's expanded a video department in one remodeled store from 400 square feet to 900 square feet, to follow Randall's average video department size of 900 to 1,000 square feet.

"That expansion coincided with a total facelift of the store, and our grand opening also coincided with a Blockbuster grand opening 100 yards away from us," Harris said.

Randall's, which has 37 video rental departments, didn't lose any ground in this particular store. Harris attributed this to the combo's commitment to selection and service. "We carry 4,000 to 6,000 titles, and feel new releases satisfy customers," he said.

The combo's two-tiered rental prices ($1.88 per tape per two days for those on the market 10 weeks or more, and $3 per tape per two days for new releases), "allows us to afford more hot titles in our mix," Harris said.

Smaller chains expanding

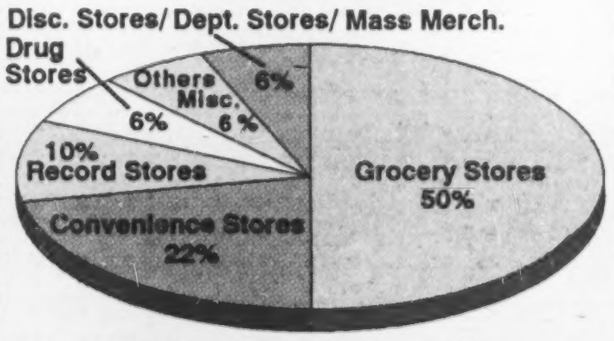
Large chains aren't the only ones looking to upgrade video rental departments. Lewis Drugs, Sioux Falls, S. D., recently opened a new 50,000 square-foot store in the Eastern part of the state, said Mark Griffin, president. It includes an additional 500 square feet for the department, making video rental 1,500 square feet. In addition, the seven-store chain computerized the department in all stores this summer.

Richardson's Pharmacy, a five-store chain in Ann Arbor, Mich., first bought a rental tape inventory for one of its stores in 1988. Now, the chain has expanded the department to two more stores, with a third being primed for a video rental selection thismonth, said Jim Decker, director of merchandise.

"One of our stores is right across the street from a Blockbuster," Decker said, "and we also compete with Meijer's in this market." Richardson's charges a 99-cent rental fee. "Drug stores would never be able to charge three dollars a tape, like the video stores do," he said, but added that "our prices are competitive with other merchants who rent videos."

Decker said, "It's not terribly profitable, but is a good traffic builder and gets customers into the store twice."

Video rental share by mass market outlets



For the first quarter of 1989, exclusive of video specialty stores. Total rental revenues, exclusive of video specialty stores, for the first quarter 1989 is $763 million. Video specialty stores accounted for more than $2 billion in rental revenues.

Source: Fairfield Research, Inc.

OPINION

Dave comes full circle with Peoples

IN THE MARKET
BRUCE BUCKLEY

The year: 1952. The place: Washington, D.C. National feelings about America's involvement in another less-than-popular war, in Korea, were running high. The threat of communism and war with Russia had uncovered a deep well of fear and paranoia in the traditionally brash and carefree American spirit. Still, the country's mood was largely buoyant. A decade of unparalleled growth and prosperity had just begun to unfold: the American decade.

In June of that year, a friendly and ambitious teenager by the name of Dave Eisenberg was about to start a new summer job as a soda jerk at one of Peoples' 200-plus drug stores. The Washington-based Peoples, which then resembled a collection of small, urban independents rather than today's modern, suburban-oriented chain, was offering 65 cents an hour to young entry-level workers.

Dave began his new job on June 13, 1952, one day shy of his 16th birthday. Last week, 37 years after he first began to dish out sundaes, malts and sandwiches to a hungry drug store clientele, Eisenberg was named president of Peoples Drug Stores.

What a remarkable story — especially in this age of the disposable executive and management musical chairs. What a reward for talent, loyalty and, of course, extreme flexibility, in the face of the momentous changes that have taken place at Peoples over the past three decades. To Dave, in a congratulatory phone conversation this week, I remarked on the uniqueness of his situation. Had he ever considered leaving Peoples?

"Every time I got itchy feet, something always happened, a promotion or something else," he told me in the friendly and ebullient fashion that has made him one of the industry's most popular executives. Even when things got bad, he said, something always "kindled" his belief that the situation would turn around.

The past five years are an example. Based on many factors, including — perhaps most importantly — a failure to keep pace with ever-more potent competition in widely spread markets, Peoples hit a low ebb. Under Eisenberg as chief operations officer, and with the strong support of Imasco and David Bloom, the chain began a vast restructuring that involved people, markets and basic operations. The result: A slimmed-down Peoples has begun to turn in sparkling results and is looking confidently to the future.

Eisenberg told me that the turnaround has ignited a resolve to begin growing, after a vigorous retrenchment. Peoples will probably never expand again as it did in the chain's "go-go" years of the sixties and seventies, Eisenberg said, but it will be there aggressively picking up independents and small chains in contiguous markets and thereby strengthening its position as one of the premier operators in the business. The focus, he said, will be on discovering what customers want and fulfilling those expectations.

Research and technology has become increasingly important in Peoples' long-term strategy. Eisenberg says Imasco is "betting the book" on technology, which includes intensive consumer research and increasing investment in new performance measurement tools. Whatever it takes, he says, "Peoples will be there."

Yes, it's a far cry from the days when a young Dave Eisenberg wrapped customer packages in brown paper and string while chatting about the weather or the latest doings of the Senators — the baseball team not the Congressional kind. Yet, in Peoples' renewed focus on its relationship with customers, the chain seems to have come full circle — back to an earlier, friendlier time when the world wasn't in such a hurry. What a great way to regress.

'Anticompetition bill' bad for businesses

WASHINGTON PERSPECTIVE
KEN RANKIN

Imagine this: The wholesaler you've been dealing with for years suddenly cuts back on deliveries. You check your records and discover that the service you've been receiving from this firm has been slipping for the past several years. Worse yet, you find that competing distributors have been regularly beating your wholesaler's prices!

You talk things over with the wholesaler, but get no assurance that these problems will be corrected. What do you do?

That's easy — switch to a different wholesaler! Right?

Problem is, that may not be an option open to you. Not if Sen. Dennis DeConcini (D-Ariz.) has his way.

DeConcini is pushing new legislation to carve open the federal antitrust laws and legalize all agreements between manufacturers and wholesalers to enforce exclusive distribution territories. At the same time, this bill would also grant antitrust immunity to schemes under which manufacturers limit the geographic markets of distributors.

Ironically, the bill is labeled the "Interbrand Competition Act of 1989." In reality, it would permit manufacturers to effectively destroy competition between wholesalers, and leave drug stores with only one source for many products.

Proposals to confer antitrust immunity on exclusive territorial arrangements aren't new. A decade ago, the soft drink industry muscled such a bill through Congress. As a result, retailers were forced to buy from only one designated bottler or distributor in each market, and the price of soft drinks to consumers rose sharply in many areas.

At the time that soft drink bill came under debate, retail and consumer groups argued that passage of such legislation would encourage other industries to seek similar anticompetitive protections.

Sure enough, they were right. The nation's beer distributors have been pressing Congress for immunity to demand the same exclusive territorial rights that soft drink bottlers now enjoy. That "beer bill" — the Malt Beverage Interbrand Competition Act — has now given way to DeConcini's even broader proposal, which would affect everything from H&BAs to candy to pharmaceuticals.

Let's take the example that we started with — the independent druggist with an over-priced, unresponsive wholesaler. Dropping that firm may be difficult if it is the only wholesaler in one's area authorized to sell the number one line of hair coloring products, or the prescription drugs of a major brand-name pharmaceutical house.

In reality, it [the bill] would permit manufacturers to effectively destroy competition between wholesalers, and leave drug stores with only one source for many products.

If anything, drug chains would face even greater potential headaches under DeConcini's plan. In addition to the difficulties associated with replacing non-competitive distributors, regional or national chains might be forced to replace otherwise acceptable wholesalers who could suddenly find themselves caged in by territorial restrictions.

In a market like this one here in Washington, for example, instead of dealing with a single wholesaler, Peoples, Fantle's and Rite Aid could be required to deal with three or four different distributors.

Wholesalers — at least those in the drug field — don't need this kind of "protection" And nobody needs this kind of anticompetitive legislation.

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